

NORTHEAST-MIDWEST INSTITUTE

MOVING FROM REACTION TO ANTICIPATION IN U.S. IMPORT POLICIES

Peter Tropper
Senior Economist

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The following individuals
contributed to this report:

Aram Arkun, Research Associate
Roberta Heinzman, Research Associate
Anita Lindsley, Word Processor;
Peter McDonough, Research Associate
Joseph Poluka, Research Associate
Cheryl Williamson, Research Associate

THE NORTHEAST-MIDWEST INSTITUTE

The last several years have marked an increasing recognition that the future of the Northeast and Midwest, America's traditional industrial heartland, is of critical importance to the nation. It was not until the severe recession of the early and mid-1970s that political, business, and community leaders in the region began to acknowledge how far its once-vigorous economy had slipped.

The mounting evidence of this economic shift away from Northeastern and Midwestern states moved members of Congress, governors, state legislators, business and labor leaders, and others to organize for study and common action.

Formed in September 1976, the Northeast-Midwest Congressional Coalition is a bipartisan organization of 213 representatives from 18 states in the region. The Coalition's 35-member steering committee is headed by four officers: Representative Robert W. Edgar (D-Pa.), chairman; and Representatives Frank Horton (R-N.Y.), James L. Oberstar (D-Minn.), and Silvio O. Conte (R-Mass.), co-chairmen. The Northeast-Midwest Senate Coalition, formed in 1978, is headed by Senators Birch E. Bayh (D-Ind.) and John H. Chafee (R-R.I.), co-chairmen, and Daniel P. Moynihan (D-N.Y.), secretary-treasurer.

These Northeast-Midwest coalitions in the House and Senate seek to inform their members about the regional implications of national policies and proposals, and to influence those issues of greatest importance to states in the region.

The Northeast-Midwest Institute--an independent, nonprofit research center--was developed to analyze the common problems of the region and to seek realistic solutions, particularly through congressional and administrative initiatives. While the 249 members of Congress represented in the House and Senate coalitions are key clients of its work, the Institute makes its findings available to governors and other elected officials, leaders of business, labor, and industry, and the public.

The Institute neither seeks nor encourages confrontations with other regions of the nation. In the Institute's view, economic problems of the regions must be addressed in the context of national policy because continued decline in one region undermines the economic health and vitality of the entire nation.

The Northeast-Midwest Congressional Coalition and the Northeast-Midwest Senate Coalition represent these state delegations: Connecticut, Delaware, Illinois, Indiana, Iowa, Maine, Maryland, Massachusetts, Michigan, Minnesota, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont, and Wisconsin.

Tom Cochran, Executive Director

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NORTHEAST-MIDWEST INSTITUTE
Publications Office
P.O. Box 37209, Washington, D.C. 20013
Telephone: (202)225-1082

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ABBREVIATIONS

AACC Adjustment Assistance Coordinating Committee
CLAAC Commerce-Labor Adjustment Action Committee
GAO U.S. General Accounting Office
ITC U.S. International Trade Commission
MFA Multifiber Arrangement
MITI Ministry of International Trade and Industry (Japan)
NTT Nippon Telephone and Telegraph (Japan)
OMA Orderly Marketing Agreement
PWEDA Public Works and Economic Development Act
TAA Trade Adjustment Assistance
VLSI very large scale integrated circuit

Despite the ease with which the Trade Agreements Act of 1979 passed Congress, the United States has not yet developed a consensus on appropriate responses to the forces that are dramatically changing the role of American producers in international markets.

Growth has brought substantial benefits to the Northeast-Midwest region and the country, but it also has pushed us into an increasingly interdependent world economy with far less stability and more dangers than ever before. The onset of a recession has magnified the effects of import competition, threatening industries that traditionally have formed the backbone of the region's economy.

Congress long ago decided that the government should help workers and firms hurt by imports, both directly with financial assistance and indirectly with methods such as import restrictions. However, these policies generally lack coordination and almost always come into play after domestic industries have been injured. Special unemployment services for workers who lose their jobs because of import competition often are delayed, and eligibility rules designed to hold down costs create unequal distribution of benefits. In addition, the political power of some industries facing strong competition leads the government to try to prop them up, usually by limiting imports. As a result, firms in those industries often are freed from the market forces that push other industries to innovate and work to keep prices down.

A frequently mentioned alternative to the U.S. model for responding to imports is Japan, which offers a stark contrast in its approach to international trade and changes in domestic industrial structure. Because they lack natural resources, the Japanese consider foreign trade and the domestic economy to be closely linked. Japan generally restricts imports only to provide an industry time to become competitive on an international scale. When an industry begins to lose its competitive advantage, emphasis is placed on structural change, or "adjustment": shedding plant and equipment and transferring capital and labor to more productive sectors. The process requires cooperation among government, labor, and management and an explicit recognition of the trade-offs involved. Adjustment assistance is not limited to firms and workers hurt by foreign competition. Instead, Japan has a series of policies to deal with entire industrial sectors that face adjustment problems, whether from increased import competition or anticipated large-scale growth -- and export -- opportunities.

The Japanese system worked well as long as some industries grew faster than others declined, and as long as the consensus accurately picked the "winners" of the future. Since the oil crises of the 1970s, however, Japan's growth has begun to resemble that of the United States, and the national consensus appears to have shifted from promoting growth to promoting social welfare and "quality of life" values. In practical terms, the system now is beginning to place more emphasis on general tax policies and competitive

allocation of credit than on fiscal and monetary policies targeted toward specific industries, and more emphasis on maintenance of existing jobs than on accelerating the decline of "losers."

The United States should consider adapting some aspects of current Japanese policy to the American context in order to frame a more effective trade policy. Among the actions Congress and the president can take:

- 1) Establish a policy of anticipating trade problems before they reach crisis proportions. Under the present system, reaction usually means supporting inefficient firms and doing little to help them become competitive. A broad sectoral policy would permit recognition of industrial shifts well before imports become a deluge.
- 2) Target adjustment policy practices. Current U.S. trade laws treat all industries as though they should be helped for reasons of national security or national pride, regardless of their ability to recover and become competitive again. In industries that do meet this criterion, a certain amount of inefficiency is inevitable, though coordination among labor, management, and government can help keep it at a minimum. For industries with little hope of regaining international competitiveness, assistance should be used to help workers and communities adjust to the new situation. For troubled industries that retain the potential to develop large export markets, sectoral policy should emphasize management skills, access to capital, research, and investment incentives.
- 3) Create more effective institutions capable of anticipating import problems. Tripartite committees including representatives of labor, management, and government are now used only in the steel and automobile industries. Such committees (with the possible addition of consumer interests) could be useful in dealing with the major structural problems of an industrial sector. Cooperation at the local and regional levels also must be fostered. More effective interagency coordination is needed to improve the delivery of services.
- 4) Create a range of tools to choose from in order to respond to sectoral problems. The present system of accelerated depreciation sets different schedules for each industry, while most proposals currently discussed would offer the same schedule to all firms. A less expensive alternative suggested by Representative Charles Vanik (D-Ohio) would retain industry differentials but offer rapid depreciation to selected industries only. Under a sectoral policy, the investment tax credit, which now is offered to all firms for purchases of new plant and equipment and rehabilitation of older structures, could be increased for designated industries and made refundable for firms with no tax liability. Congress could create a new subsidy for removal of obsolete equipment covering a portion of the value of plant and equipment scrapped in designated industries, especially those such as steel which cannot now finance major new investments.

Another bill introduced by Representative Vanik (H.R. 1543), which has been passed by the House and reported out of the Senate Finance Committee, would establish a number of experimental training programs, including a voucher system under which certified workers could undertake retraining with automatic partial reimbursement from the government. The bill also would promote research and development by authorizing the Commerce Department to offer seed money to industry associations to develop new technologies and applications for industry-wide use.

Finally, credit programs including loans, loan guarantees, and interest subsidies to private companies could be targeted to help firms in selected industries either modernize or shift to other industries. The proposal to establish a public agency similar to the Reconstruction Finance Corporation which would offer low-cost, long-term financing to companies and communities should be considered for this purpose.

5) Convert import adjustment programs to sectoral adjustment policies. Congress should consider not reauthorizing the trade adjustment program when it expires, replacing it instead with a sectoral adjustment program to deal directly with the problems of changing industrial structure.

I. INTRODUCTION

Despite the ease with which the Trade Agreements Act of 1979 passed the Congress (395-7 in the House and 90-4 in the Senate), the United States has not yet developed a consensus on appropriate responses to the new forces that are dramatically changing the role of American producers in international markets. World trade has grown more than tenfold in the past 30 years; one-sixth of everything that is grown or manufactured is traded internationally, and such trade amounted to \$1.5 trillion last year. This growth in trade has brought substantial benefits to the nation and to the Northeast-Midwest region in particular. It also has pushed us into an increasingly interdependent world economy with far less stability and more dangers than ever before.

In the United States, exports account for one of every six manufacturing jobs. States in the Northeast-Midwest region have a large stake in the good health of the international trading system: the 18 states produce more than half the nation's exports of manufactured goods. At the same time, however, several industries that traditionally have formed the backbone of the region's economy are under strong competitive pressures from producers in other countries. The onset of a recession has magnified the effects of import competition, leading a number of labor unions and business groups to call for more barriers to trade and a reversal of the nation's generally open trading policy.

This paper reviews the role of the Northeast-Midwest region's industries in international trade, describing strengths, weaknesses, and outlook. Concentrating on the industrial sector, the analysis continues with a discussion of the tools now available to the government in its efforts to deal with import competition. Congress long ago decided that the federal government should help workers and firms hurt by imports, both directly with financial assistance and indirectly with import restrictions. However, these policies generally lack coordination and almost always are enacted after domestic industries have been injured. Further, import restrictions can have the unwanted effect of insulating some American businesses from foreign competition, reducing their incentive to adopt new technologies and management techniques to increase productivity.

The Japanese system is mentioned frequently as an alternative to the U.S. model. Its success in world trade makes it the target of growing domestic opposition to free trade. Few of Japan's specific policies would be directly applicable in this country, but their general approach is worth more scrutiny.

Section V of this paper contrasts the trade policies of the two countries. U.S. policy focuses on programs that react to imports, while Japan concentrates more on developing export markets. The U.S. gives special treatment to workers and firms hurt by imports, while Japan deals with competitive difficulties of entire industries, regardless of the cause.

The comparison should not be carried too far. The final section of the paper suggests areas where the United States could adapt Japanese policies to the American context. Most of the recommendations call for action at the federal level, but also indicate where local governments, labor, and management can contribute to a revitalization of an American economy pressed as never before by foreign competition.

II. EXPORT INDUSTRIES IN THE NORTHEAST-MIDWEST REGION

U.S. trade policies are particularly important to Northeastern and Midwestern states. Information on the origin of exports on a state-by-state basis is unavailable for years after 1976, but data for that year shows the region's export strengths and import sensitivities, and illustrates the potential effects of the multilateral trade agreements negotiated by 99 countries last year.

Of the nation's 18 states with the greatest exports, 12 are in the Northeast-Midwest region, including four of the top five. Almost 56 percent of U.S. exports of manufactured goods come from factories in the region (see Table 1). As a group, the region's states exported \$46 billion in 1976, an increase of 135 percent over the 1971 level. More than 681,000 jobs in the area depended directly on exports of manufactured goods, and about 490,000 additional jobs were required to produce material and parts for incorporation into products exported from the nation as a whole. Furthermore, the region depends on export markets for a larger share of its total manufacturing sales than does the rest of the country. Of total manufacturing shipments from the Northeast and Midwest, 7.2 percent are for export, while 6.7 percent of total shipments from the South and West enter export markets. For a region such as this, which has experienced slower economic growth and more sensitivity to economic cycles than other regions, the increase in income and employment resulting from an expansion of its exports is welcome.

The Multilateral Trade Negotiations

World trade has grown markedly in the 1970s and United States trade has grown with it. U.S. exports in 1979 were more than quadruple 1970 levels, while imports were almost five times as large. U.S. exports alone account for 12 percent of total world trade. As the international trading system has expanded since the end of World War II, countries have held several conferences to modernize and adapt the system to current needs. The seventh and most recent round of multilateral negotiations, called the Tokyo Round, was concluded early in 1979 and was incorporated into U.S. law through enactment of the Trade Agreements Act, signed on July 26, 1979.

Previous negotiations dealt exclusively with cutting tariffs, but participants in the Tokyo Round chose to expand international rules to cover other trade barriers as well. Appendix I summarizes these nontariff agreements, many of which have great potential for opening up large foreign markets that have been closed up to now. By promoting trade, these disciplines, or Codes of Conduct, can create more jobs in such industries as aerospace, railroad and motor vehicles and parts, machinery, scientific instruments, computers, and electronic equipment, which play a vital role in the economies of states in the Northeast and Midwest.

TABLE 1

Growth in Exports of Manufactured Goods in the Northeast-Midwest Region
[in millions of dollars]

State	1971		1976		Estimated Export Employment (in 1000s)	
	Total Value of Shipments	Total Value of Exports	Total Value of Shipments	Total Value of Exports	1971	1976
Connecticut	11,358.0	811.5	18,229.0	1,957.6	24.0	36.6
Delaware	3,220.0	142.9	5,042.7	188.4	2.0	1.9
Illinois	47,939.6	2,486.8	82,351.3	6,659.6	60.2	86.9
Indiana	25,346.0	1,197.7	45,180.9	2,827.6	28.5	40.0
Iowa	10,225.3	476.0	20,772.3	1,499.8	10.8	19.8
Maine	2,495.2	86.8	4,422.8	254.9	2.2	4.2
Maryland	9,113.4	341.0	14,762.2	640.7	8.3	10.5
Massachusetts	17,110.0	914.6	26,918.4	2,502.4	26.9	48.2
Michigan	47,206.9	2,834.0	80,326.7	6,888.1	54.8	73.9
Minnesota	11,222.2	507.1	20,439.5	1,566.7	13.3	23.2
New Hampshire	2,021.2	93.9	3,495.4	291.1	3.1	6.5
New Jersey	28,953.4	1,250.0	45,711.3	2,660.2	26.9	34.9
New York	54,936.6	2,688.5	76,087.1	5,320.2	63.4	84.0
Ohio	50,142.4	2,704.3	83,599.5	5,793.6	67.9	86.8
Pennsylvania	44,703.6	2,092.7	71,918.5	4,706.0	53.9	82.4
Rhode Island	2,715.0	136.8	4,532.7	268.5	4.2	5.8
Vermont	1,101.9	51.1	2,056.2	199.8	1.9	3.5
Wisconsin	18,830.0	907.8	35,427.3	2,209.2	21.6	32.1
Region Total	388,644.7	19,723.5	641,273.8	46,434.4	473.7	681.2
U.S. Total	670,970.5	33,132.3	1,185,695.3	83,098.0	745.9	1,173.2

Source: U. S. Bureau of the Census, "Survey of the Origin of Exports of Manufacturing Establishments in 1972," Current Industrial Reports, Series MA-161 (72)-2, Washington, D.C.: Government Printing Office, 1974, and U.S. Bureau of the Census, "Origin of Exports of Manufacturing Establishments," Annual Survey of Manufactures, 1976, M76(AS)-8, Washington, D.C.: Government Printing Office, June 1978."

In addition to developing the Codes, negotiators in the Tokyo Round agreed to reduce industrial tariffs an average of 33 percent over the next ten years. With fluctuating exchange rates and rising inflation, fixed tariffs take on less importance as a barrier to trade, but lower tariffs should contribute to a more equitable trading relationship with major partners. In particular, the new tariff levels will roughly equalize tariffs with Japan and reduce (though not eliminate) the disparity with Canada for many of America's most important exports. Furthermore, the lower level of external tariffs maintained by the growing free trade area in Europe means the U.S. will suffer less of a disadvantage in trading with European countries.

Status of the Region's Major Trading Industries

The outcome of the trade negotiations demonstrated that the United States achieved not only expanded export opportunities, but continued and, in some cases, increased protection of several import-sensitive industries located predominantly in the Northeast-Midwest region.

Aerospace Products. States in the region exported \$536 million in aerospace equipment in 1976. International trade in aircraft is heavily influenced by the governments involved, and the developed countries arrived at an agreement in the Tokyo Round to reduce government intervention. The Aircraft Agreement eliminated tariffs on aircraft and parts for civilian use and should result in greater disciplines on foreign governments' purchasing and subsidy practices. The agreement should go a long way toward reducing the wasteful and unnecessarily costly governmental competition in export financing and subsidies that now accompanies aircraft sales.

Autos. Because U.S. automakers treat the United States and Canada as a single market, they have invested heavily in production facilities on both sides of the border, and a substantial number of parts and vehicles are traded each year between the two countries. To maintain this flow and to ensure that both countries derived similar benefits from it, the U.S. and Canada negotiated an Auto Pact in 1965, providing for completely free trade in most parts and completed vehicles and a somewhat less than free flow of investment in production facilities. The two-way trade balance in automotive products has varied from year to year, and total trade increased from \$1.1 billion in 1965 to \$22 billion in 1979.

In recent years, the United States developed a surplus in the parts trade, fostering a belief in Canada that the Pact should be renegotiated. Major investment questions such as the location of a Ford Motor Company engine plant in Ontario and a Volkswagen assembly plant in Pennsylvania led to a series of discussions on the use of investment incentives. Both governments have difficulties controlling "smokestack chasing" at the subnational level, and the talks were inconclusive. Canada has requested another series of discussions in 1980 in light of the dramatic decline in sales over the past several months and the need for the auto companies to undertake major restructuring of production capacities. At stake is billions of dollars of investment; General Motors Corporation alone plans to invest \$40 billion in the next four years.¹

In the Tokyo Round, Japan and the European Community² agreed to cut tariffs on motor vehicles and equipment by 82 percent and 38 percent, respectively. These reductions will become increasingly important as American manufacturers shift production to cars and trucks that match the needs of other countries. A Code of Conduct on Standards can provide an especially important mechanism for dealing with technical requirements other countries impose to keep out imports; the Code prohibits discrimination against imports in certification and testing procedures.

Several factors combined to make the past year disastrous for the U.S. auto industry, pushing unemployment above 300,000, exceeding levels of the 1974-1975 recession. In response to the job losses, the United Auto Workers filed suit with the U.S. International Trade Commission (ITC), seeking relief from imports. The ITC is an independent agency and normally would take six months for such a complex investigation, but a request from President Carter led the Commission to agree to an earlier deadline of November 24.³

A preliminary staff report of the ITC indicates the domestic industry suffers from a number of ailments that import restrictions might not solve. According to the report, the Japanese are the major competitor in the U.S. market and have two important advantages. First, their facilities often are newer and make far more extensive use of robotics and other forms of automation resulting in greater productivity than most American plants. Second, most markets in the world require production of smaller, fuel-efficient cars. The Japanese already were producing these cars; therefore, when the American market shifted suddenly in the first half of 1979 from large to small cars, the Japanese were able to move in when American producers could not meet demand.

U.S. automobile manufacturers responded relatively slowly to rapid gasoline price increases in the 1970s. Strong demand for large cars, the low profitability of small cars, and controlled gasoline prices kept Detroit building large cars throughout the decade. Production of smaller cars increased 56 percent while production of larger ones grew only 10 percent from 1975 to 1979, indicating that American car makers recognized the shift in consumer demand and had begun to respond to it. The market switched suddenly in 1979, however, and demand for large cars dropped dramatically, leaving U.S. firms with huge unsold inventories of large cars but insufficient capacity to meet the new demand for fuel-efficient autos.

With plans to spend more than \$80 billion in the next five years, the industry could regain its competitive position later this decade, according to the ITC report, but import restrictions may not help in the short run. Import barriers can reduce the number of foreign cars sold in this country, but cannot force Americans to buy larger cars. Instead, buyers are likely to wait for the introduction of downsized U.S. models. The situation is exacerbated further because declining sales and an unfavorable product mix cannot produce the funds needed to modernize facilities. The report recommends that relief for the domestic industry -- if approved -- should concentrate on generating investment funds to enable manufacturers to get their products to the market as rapidly as possible.

On July 8, 1980, President Carter proposed a series of modest changes in government policies toward the auto industry, including additional loans and loan guarantees for automobile dealers and extensions of several

regulatory deadlines. The changes announced by the president may signal a major shift in government attitudes toward industrial sectors. Rather than considering taxation, credit, and regulation as unrelated activities, the new approach gathers together all federal policies that affect a sector and examines them as interacting parts of a single policy.

An alternative frequently discussed is a "voluntary" export restraint agreement, under which Japan would agree to keep auto exports below a prescribed level. During the January-June 1980 period, sales of Japanese cars were 10 percent higher than the same period last year, while sales of domestically produced cars were 24 percent lower. The Japanese Ministry of International Trade and Industry (MITI) has attempted to stem the flood of exports and create a more "orderly" market, and has asked Japanese car makers to triple their imports of U.S.-made auto parts. Japanese manufacturers do not appear to have taken the advice yet.⁴ The president is faced with a legal dilemma: the administration has no legal authority to restrict imports until the ITC makes a formal finding of injury and recommends import controls. Until then, according to the Justice Department, any effort to get the Japanese to restrict exports would be subject to anti-trust law suits, because it would be a restraint of trade.⁵

Computers and Electronics. This is an important growth sector, especially for New England, and could lead to the creation of enough new jobs this year that the Boston-southern New Hampshire area will register a net increase in employment despite the recession. The trade agreements produced some major opportunities as well as disappointments for U.S. exports of high technology electronics and computer products. The Standards Code was negotiated primarily at the urging of U.S. electronics companies experiencing difficulties exporting to Europe, and should resolve many problems by giving American manufacturers access to foreign certification processes. On the import side, the Subsidies Code should protect domestic producers from competition with firms supported by foreign government subsidies.

The United States also signed a Government Procurement Code, which will open the procurement process to bids from foreign manufacturers on contracts greater than \$190,000. The Procurement Code goes into effect on January 1, 1981, and should result in a large increase in U.S. exports. Most governments try to rely on domestic suppliers in the acquisition of computers and telecommunications equipment, to the exclusion of foreign companies. The Japanese signed the Code, but posed a challenge to the U.S. by exempting their most important government agency from the Code's coverage.

When a Japanese Ministry plans to purchase a large computer system, it frequently entrusts the purchase decision to the government-owned Nippon Telephone and Telegraph Corporation (NTT) which in turn places the order with a manufacturer, who is almost always Japanese. In its 1978 fiscal year, NTT bought a total of \$17 million in products from foreign suppliers -- mostly office furniture, carpets, and paper for computer printouts. That sum represents 0.5 percent of NTT's total purchases.⁶ NTT coverage became a major issue in the multilateral trade negotiations and was the subject of several visits by foreign and trade ministers of the U.S. and Japan during the spring of 1979. After intense pressure by the United States and the resignation of the head of NTT, the Japanese agreed to apply the Procurement Code to NTT's purchases of such items as telephone poles and light switches.

The U.S. rejected the offer as "patently unfair" and "wholly inadequate."⁷ The issue never was resolved, except that Japan agreed to the principle of reciprocity. That is, both countries will apply the Procurement Code to government purchases, but the United States has the right to exclude Japanese bidders from American contracts on telecommunications equipment until Japan opens up NTT. Both countries agreed to continue negotiating through 1980 in an effort to reach agreement before the Code takes effect next year.⁸

Chemicals. As a result of the Tokyo Round, the U.S. will set its tariffs at levels roughly equal to those of the European Community, our major trading partner in chemicals. In addition, the United States converted the bulk of its chemicals tariffs from specific rates (e.g. "5 cents per pound") to ad valorem equivalents (e.g. 6 percent of the value), thus maintaining current tariff levels and protecting them from future erosion due to inflation. At the same time, the U.S. minimized tariff reductions on key petrochemicals identified by the industry as particularly vulnerable to imports in the future.

The current U.S. success in exporting chemicals has caused European producers to call for relief, claiming that the U.S. firms are benefiting unfairly from a subsidy implicit in America's partially regulated prices of oil and natural gas. The case has not been decided and may not be resolved until after the United States reaches a decision on European exports of steel, another important product made in the Northeast-Midwest region.

III. IMPORT-SENSITIVE INDUSTRIES IN THE REGION

Not all industries in the region perform well in international markets. A study of the demographic and occupational characteristics of workers in "trade-sensitive" industries prepared by the Department of Labor⁹ shows that the firms most injured by increased imports are in labor-intensive industries such as clothing, footwear, and furniture manufacturing. Workers in these industries have lower skills, less education, and lower earnings than the average manufacturing worker in the country, and are more likely to be female or of a racial minority. Geographically, the industries most hurt by imports are concentrated in the Northeast and the Midwest, particularly in Massachusetts, New York, New Jersey, Pennsylvania, Ohio, Michigan, Indiana, and Illinois.

Steel. U.S. tariffs on steel will be cut less than most as a result of the Tokyo Round, and reductions will be deferred until 1982 because of the industry's sensitivity to foreign competition and current world overcapacity in production facilities. Most steel tariffs also were converted to percentage terms to stop erosion of protection due to inflation. Also important to the industry are the various Codes of Conduct and streamlined domestic procedures for dealing with market disruptions caused by imports. Exclusion of key U.S. construction agencies (such as the Corps of Engineers) from the Government Procurement Code will minimize any loss of federal government contracts for steel products to foreign companies.

Many countries have expanded capacity to produce steel far beyond projected world demand for the near future. Moreover, additions are planned in less developed countries where even minimal operating levels will exceed domestic demand, forcing more steel onto world markets. Experts expect the overcapacity to turn into a shortage by the end of the decade, which should ease import pressures, but for now the U.S. steel industry has serious problems.¹⁰ Employment has fallen almost 90,000 in the past year and domestic plants are operating below 60 percent of capacity at a time when the industry desperately needs funds to modernize to meet foreign competition.

Manufacturers in Japan and Europe have higher levels of fixed costs than do American producers, and they cannot reduce the size of their work forces as quickly as Americans can because of formal and informal restrictions on layoffs. Furthermore, foreign governments are heavily involved in their national steel industries through subsidies and in some cases government ownership. When demand softens in foreign home markets, firms in those countries can maintain the required levels of sales only by exporting more. These factors often allow some firms to sell products below average cost, at prices that could rapidly reduce the market share of American producers. If prices go below levels considered "fair market value" by the U.S. government, the sales are called "dumping" and the government can add penalty duties to the import price to make up the difference. The temptation to dump is strong in the steel industry, and numerous dumping suits have been filed by U.S. firms. However, the process of determining the dumping margin can take several months and the damage may be done by the time

the penalty is imposed. To resolve this dilemma, in 1978 the U.S. imposed a "trigger price mechanism" on steel products. The government, in consultation with industry representatives, determined fair prices for steel charged by the world's most efficient producers (assumed to be the Japanese) and said that any price below that level would automatically trigger a special fast-track antidumping investigation. It was believed that this system would force up import prices and help domestic steelmakers maintain their share of the U.S. market. Companies in the industry withdrew most of their dumping cases against foreign producers and agreed not to file more cases as long as the trigger price mechanism met their needs.

The program was initiated in January 1978 and worked fairly well for about 18 months. In 1979, the domestic industry began to feel that the system did not sufficiently take into account inflation and productivity. Furthermore, European producers, whose costs were higher than the Japanese, could charge Japanese prices and still avoid U.S. dumping penalties. Friction grew between industry and the government and in March 1980 the U.S. Steel Corporation filed 70 boxes of dumping suits against European companies. The government immediately terminated the trigger price system, and the cases are now moving through official channels in the Commerce Department. Administration sources indicate they may develop a new trigger price mechanism in return for withdrawal of U.S. Steel's anti-dumping suits. If they reach an agreement, the announcement probably will come before October 17, 1980, the deadline for the Commerce Department's initial report. Some observers feel that if the negotiations break down, an international trade war could begin.¹¹

Textiles and Apparel. The domestic apparel industry has suffered inroads from imports since the mid-1950s, while the textile industry remains profitable and technology-oriented and has a large trade surplus. Textile plants are located throughout the country with concentrations in southern states; the majority of the apparel industry factories is in the Northeast. Over the years, the U.S. government has negotiated a variety of restrictions on imports, most recently a comprehensive agreement with all its major sources of apparel and textile imports to set quotas on a broad range of products. The agreement, called the Multifiber Arrangement (MFA), provides for the orderly expansion of trade without disrupting importing countries' markets. The U.S. has attempted unsuccessfully to get the People's Republic of China to join the MFA. To prevent import problems, the government unilaterally imposed quotas on the People's Republic, and in September 1980 the two countries signed an agreement permitting small annual increases of U.S. imports of Chinese apparel.

Despite these concerted efforts to control international trade, domestic manufacturers continue to lose employment and sales to imports. A large number of complaints have been filed concerning foreign subsidies in developing countries, and the government has taken action in a number of cases.¹²

Shoes. The Department of Commerce developed a unique, comprehensive approach to the loss of competitiveness by domestic shoe firms. The first part of the program consisted of "orderly marketing agreements" (that is, quotas) with the governments of Taiwan, Korea, and Hong Kong. These

governments have agreed to limit exports of non-rubber footwear to the U.S. until the OMAs expire in mid-1981.¹³ The United States will not cut any of the tariffs on these products.

In conjunction with these short-term import barriers, the administration began a program to help the entire industry modernize and adjust to foreign competition. The Footwear Industry Revitalization Program is a three-year effort including \$41.9 million for loans and loan guarantees to firms, \$10.2 million for technical assistance and \$4.2 million for research, education, and technical training. By April 1980, more than 122 firms out of around 300 companies in the industry had been certified as eligible.¹⁴ About three-fourths of the firms are located in the Northeast-Midwest region (see Table 2).

TABLE 2

Assistance to Footwear Industry
Cumulative to April 1, 1980

	Certifications* 5/75 - 4/80	Technical Assistance	Direct Loans (\$1,000)	Guaranteed Loans (\$1000)	Percent Change in Employment 1968-1978
Connecticut	2	\$9,936	-	-	-
Illinois	1	9,975	-	-	-
Maine	7	792,180	2,000	3,128	-35.3
Maryland	4	564,155	950	-	-
Massachusetts	20	1,139,821	7,565	-	-52.8
Michigan	2	359,975	1,000	-	-
New Hampshire	11	183,118	2,000	1,500	-48.7
New Jersey	5	262,289	4,000	3,500	-
New York	22	1,066,327	5,946	500	51.7
Ohio	1	161,278	-	-	-
Pennsylvania	17	981,991	7,975	8,700	-40.6
Wisconsin	3	84,963	-	-	-
Region Total	95	5,616,008	31,431	17,328	-
U.S. Total	122	7,572,415	40,711	23,803	-
Region's Share	78%	74%	77%	73%	

*15 certified firms have ceased operations

Source: U.S. Department of Commerce, unpublished data.

A study of the industry's problems revealed the following stumbling blocks:

- o inefficient management, which cannot or will not react as quickly as do foreign firms to changes in consumer tastes;
- o use of obsolete technologies and a lack of capital to acquire newer production methods; and
- o a large number of relatively inefficient small firms.

The special Commerce Department program is designed to help managers identify specific problems and opportunities to make their products competitive in the U.S. market. The Department sends out teams of specialists to the companies to help them develop plans for meeting their particular needs in terms of product development, production, marketing, management information systems, organizational development, and general business strategy. Many of the projects only recently have begun, making evaluation difficult. However, it appears from comments by the footwear trade associations and evaluations by the Department that the teams have proven extremely helpful in pointing to areas of realistic cost savings and better means for responding to changes in consumer preferences. Perhaps the most remarkable result of the program is the increase in exports by American footwear companies, which could reach 12 million pairs this year, 126 percent more than in 1977.¹⁵

A related effort involves the identification of technologies that would give American footwear firms a competitive edge in the U.S. and foreign markets. The program will develop a series of potentially useful technologies grouped by cost and potential cost savings so that each manufacturer can choose an appropriate level of investment. A Footwear Center will institutionalize some of this work, and will continue beyond the end of the program this summer. The center will open in Philadelphia later this fall and will become self-supporting through membership dues and income from special services. Goals of the center include testing, analysis, and dissemination of new footwear materials, products, and manufacturing techniques, training programs for workers, and a range of information services for member companies.

The program will make at least part of the industry competitive by concentrating output in products and processes where the U.S. has a comparative advantage. The Commerce Department has asked a consulting firm to analyze the results and evaluate the program as a possible model for efforts to make other American industries better able to respond to import competition.

IV. THE EXISTING TOOLCHEST FOR RESPONDING TO IMPORT PROBLEMS

U.S. policies toward import competition almost always are reactions to import problems and tend to concentrate on finding short-term results. Most of the tools available to the government cannot even be considered for use until after the problems become acute, because legislative authority generally requires a finding of injury or a threat to domestic producers before action can be taken. The government frequently takes several months to investigate and propose a solution, which often comes too late to accomplish the desired goal.

Many of American industry's complaints about imports arise in situations where foreign firms or governments engage in practices giving their products an edge in U.S. markets that would be considered unfair by American, and frequently by international, standards. One of the primary goals of the multilateral trade negotiations was to revise the general rules of conduct, because it was felt that the existing rules do not adequately create an environment of stability. Domestic policy tools for responding to imports fall into two broad categories: reactions to problems caused by fair competition and to those caused by unfair competition.

Response to Unfair Competition

Dumping. Dumping takes place when a foreign firm sells a product in this country at a price lower than it charges for the same product in its home country. U.S. Steel Corporation claims that European steel producers charge prices in the United States below those charged in Europe. If the Commerce Department determines that foreign companies are, in fact, dumping their goods, and the U.S. International Trade Commission finds that U.S. firms have been injured, then the government can impose special duties on the products to force prices up to a fair value. Government agencies in some cases have taken more than a year to reach a conclusion on dumping cases, and assessments of the duties sometimes do not take place for several years. The Trade Agreements Act of 1979 set new deadlines, and now a tentative determination must be made within seven months, with a final decision due within nine and one-half months.

Countervailing duties. Most governments, including the U.S., offer subsidies of one sort or another to private businesses. According to American and international law, a subsidy is unfair if it enables a company to sell its products in foreign markets and injure foreign firms. The importing country can impose additional, or "countervailing," duties to raise the price of the product to eliminate the effect of the subsidy. The Commerce Department has five months to make a subsidy determination and the International Trade Commission must determine that the products have injured or threaten to injure American firms before imposing the duties.

Other unfair practices. The president has the authority to impose a number of other restraints on imports when foreign actions place an "unjustifiable" or "unreasonable" burden on U.S. domestic commerce. For example, the steel industry claimed in 1977 that an agreement between Japan and the European Community to reduce Japanese shipments of steel resulted in the diversion of Japanese steel to U.S. markets. No action was taken because there was not enough evidence to prove the steel would not have come here anyway.

Response to Fair Competition

The responses to unfair practices assume that the situation will be made fair if the U.S. can raise the price of imports to a fair level. But what happens if the foreign producer has a competitive edge that is perfectly fair by all rules of the system, yet still can result in severe injury to domestic manufacturers? Economic theory says that nations should trade the goods and services in which they have a relative advantage. When an industry loses its lead, governments are expected to let the marketplace force workers and capital to either become competitive again or move into other lines of business. Most countries in the Western world accept this as a goal, but few have developed methods for dealing with the problems of adjustment, that is, the problems that arise between the time one industry declines and the time its workers and investors find another industry. England ruled the world's textile markets for decades before giving way to American mills. The United States, in turn, has watched its own textile work force contract as developing countries take advantage of their low wage levels. The shifting of textile factories from country to country has worked out according to the theory, but it left behind hundreds of thousands of workers who derive little consolation from the textbooks while they look for new jobs.

Thus, the gap in the theory is the failure to offer ways for countries to live through the adjustment process without experiencing unsettling political and economic difficulties. Many countries have made the same response as the United States: impose import barriers to preserve domestic jobs. In the long run, this reaction solves nothing; rather, it leaves both labor and capital locked in inefficient uses, keeps consumer prices unnecessarily high, and rarely accomplishes more than extending the pain of adjustment.

The developed countries recognized the difficulties created by changes in international competitiveness and attempted to limit the use of import barriers under the General Agreement in Tariffs and Trade, which is the international trading rulebook. These restrictions, called "safeguard" or "escape clause" actions, should provide temporary relief to allow firms time to adjust and either modernize to meet the competition or shift resources into other industries. But no law forces firms to adjust, and the reduction in import competition may leave domestic companies without an incentive to modernize.

This can best be illustrated by examining U.S. policies toward industries affected by import competition. In addition to the import barriers described above, the government has a program of assistance to firms, workers, and communities. Congress created the Trade Adjustment

Assistance (TAA) Program in the Trade Expansion Act of 1962, establishing the principle that the federal government bears a responsibility to groups hurt by imports that goes beyond the usual unemployment insurance and economic development assistance programs. The Trade Act of 1974 greatly expanded the program, and a series of major revisions are under consideration in Congress at this time. The program has three main components: aid to workers, to companies, and to communities.

Assistance to Workers. When a group of workers has been injured by import competition, its workers can be certified by the Department of Labor as eligible for several special programs. Included are:

- o up to 52 weeks of payments in addition to regular unemployment compensation (up to 70 percent of the worker's weekly wages),
- o up to 26 additional weeks if the worker is enrolled in an approved training program, or is 60 years of age or older; and
- o job search and relocation allowances for 80 percent of the costs incurred (up to \$500).

The TAA program is used heavily in the Northeast-Midwest region, with the greatest concentration of workers in steel, autos, apparel, footwear, and electrical/electronics industries (see Table 3). By the end of fiscal 1979, more than half a million American workers had received benefits under the program, more than two-thirds of them in the region.

TABLE 3

10 States With the Largest Number
of Workers Receiving TAA
April 1975 - December 1979

<u>State</u>	<u>Number of Workers</u>
Pennsylvania	80,900
Ohio	59,200
New York	50,600
Michigan	49,800
Wisconsin	24,600
Missouri	28,000
Massachusetts	24,400
New Jersey	23,300
California	20,600
Alabama	16,500

Source: The White House, Office of the United States Trade Representative, Twenty-Fourth Annual Report of the President of the United States on the Trade Agreements Program, 1979, p. 124.

The program has been beset with problems, as shown in a report by the General Accounting Office (GAO) on adjustment assistance to workers in New England.¹⁶ The agency examined a sample of workers who received payments in a number of industries, including steel, footwear, dyes, and bicycle

tires. The review indicated that payments were late 77 percent of the time, 40 percent were for the wrong amount, and an average of 58 weeks elapsed between the time a worker lost his job and the time he collected his first check from the government. The discovery that only 24 percent of the workers in the sample took advantage of federal funds for training, job search, and relocation costs is not surprising, because 73 percent of the workers had returned to work with their original employer before the first payment arrived in the mail.¹⁷

A second report by the GAO, released in January 1980, confirmed that there is a nationwide problem with the worker adjustment programs. In the GAO sample, which included a quarter of a million eligible workers, 71 percent had returned to work by the time the first check arrived. Only 11 percent of the workers received their benefits within two weeks after layoff; the other 89 percent waited an average of 16 weeks for the first check.¹⁸ Only 27 percent applied for training, job search, or job relocation allowances. A variety of factors appears to have caused the delays, including a lack of information available to eligible workers, inadequately trained staff at both federal and state levels, and a requirement that the certification process cannot begin until after sales or production declines are experienced by the firms.

In response to complaints about the TAA program, in January 1979 Representative Charles Vanik (D-Ohio), Chairman of the House Subcommittee on Trade, introduced H.R. 1543, which aimed to extend coverage to more workers and to improve the delivery of services. The principal extension would cover workers in firms providing services or goods to the company actually affected by the imports. The bill passed the House on May 30, 1979, and was reported out of the Senate Finance Committee on October 30, 1979. No action has been taken by the Senate, primarily because of the projected cost of \$822 million. Now that TAA expenditures have risen to \$1.4 billion in fiscal 1980 from \$269 million last year, there appears to be even less support than before. In an effort to reduce the federal deficit, the House of Representatives first voted in July 1980 to rescind H.R. 1543 altogether and then voted in September to delay implementation for a year. The Senate probably will not deal with the bill in this Congress.

Appendix II shows the expenditures under the program for fiscal 1978 and 1979. The Northeast-Midwest region received 65 percent of total outlays in 1979, and probably will receive a substantially higher proportion in 1980 with the massive layoffs in the region's auto factories. The job training statistics demonstrate how very little has been done in this or any region to use the program for adjustment. Because so much of the money arrives late, the program fails to tide most workers over a period of unemployment.

Assistance to Firms. If a company can demonstrate that imports "contributed importantly" to a decline in sales, the firm is eligible for assistance from the Department of Commerce. Aid can include technical assistance in diagnosing the firm's problems, loans up to \$1 million, and loan guarantees up to \$3 million per firm. Since the program began in 1975, Commerce has worked with 214 companies, 79 percent of which are located in the Northeast-Midwest region (see Table 4). Almost half the firms are located in New York State, largely in the footwear, apparel, and textile industries.

H.R. 1543 would reduce some of the difficulties in using the program. The limits on loans, for example, tend to channel the money to relatively small changes in a company's production or financing system. The bill raises the ceilings somewhat, to \$3 million on direct loans and \$5 million on guaranteed loans. Another existing provision requires the interest rate charged on loans to be set one and one-half points above the Treasury's cost; H.R. 1543 reduces the extra charge somewhat, though it would remain above the cost to the Treasury.

The auto industry represents a classic case of the inequities in coverage under the current legislation. Only firms directly affected by imports are eligible. So while General Motors, which makes bumpers, is eligible, Budd Corporation, which also makes bumpers but sells them to General Motors, is not. The reason is that no company imports bumpers and Budd is therefore not competing directly against imports. The distinction was added to the law to keep costs down, but the inequities are clear.¹⁹

TABLE 4

Trade Act Assistance to Firms
Cumulative, Fiscal 1975-1979

	DIRECT LOANS		GUARANTEED LOANS	
	Number of Projects	EDA Investment (\$1,000)	Number of Projects	EDA Investment (\$1,000)
Connecticut	3	1,150	2	1,725
Illinois	2	1,200		
Indiana	-	-	1	2,430
Maine	3	2,350	2	2,815
Maryland	1	950	-	-
Massachusetts	16	7,065	-	-
Michigan	3	698	-	-
Minnesota	2	698	-	-
New Hampshire	4	3,250	1	1,250
New Jersey	12	10,135	3	4,125
New York	97	47,414	10	16,126
Ohio	4	2,600	1	180
Pennsylvania	21	14,290	12	11,510
Vermont	1	1,000	1	621
Region Total	169	93,682	33	40,852
U.S. Total	214	117,855	52	65,459
Region's Share	79%	79.4%	63.5%	62.4%

Source: U.S. Department of Commerce, unpublished data.

Assistance to Communities. The Trade Act of 1974 established a program of assistance to communities if imports contribute to a significant loss of employment in the area. Problems in defining and documenting economic decline due to imports in contrast to any other type of distress have left the program essentially unused. A GAO survey discovered that officials in 95 percent of the nation's communities with potential trade problems did not even know of the program's existence.²⁰

The Department of Commerce does not consider this a problem, because communities with trade problems usually are eligible for other assistance programs as well. The Department's budget includes community assistance under its budget for Title IX of the Public Works and Economic Development Act (PWEDA), which provides aid to areas suffering from sudden and severe economic dislocation. Because benefits under PWEDA and the Trade Act are identical and the eligibility requirements are easier to meet under PWEDA, the Department of Commerce makes no attempt to give priority to areas affected by imports. The Department states that its funds should go to communities with the greatest need, whether the cause is imports, realignment of defense facilities, environmental standards, or natural disasters. In a letter to the GAO, the Department stated that:

The total budget for all these programs in the 1980 Budget is over \$1.4 billion. It is difficult to understand how a community adversely affected by imports would have difficulty receiving substantial Federal assistance for economic development.²¹

As a result, very few communities have applied and none have received aid specifically as trade adjustment assistance. The GAO report recommends that Congress either confirm its intention to provide special treatment to communities affected by imports or repeal the program altogether. The current version of H.R. 1543 has no provisions dealing with community assistance.

V. JAPAN'S TRADE POLICIES: ANTICIPATION INSTEAD OF REACTION

Japan offers a stark contrast to the United States in its approach to international trade and domestic adjustment policies. Part of the difference can be explained by the lack of natural resources in Japan, which forces that country to export processed goods to pay for its imports of raw materials. As a matter of national policy, then, the Japanese always have considered the foreign trade sector and the domestic economy to be closely linked. The government has a single agency, the Ministry of International Trade and Industry (MITI), to oversee economic development in both fields.

The United States, on the other hand, has ignored foreign trade for most of its history, and only recently has come to recognize its dependence on foreign sources of supply. As a result, administration of trade programs is spread over a number of agencies, including the Departments of Agriculture, Commerce, State, Treasury, Interior, and Energy, the International Trade Commission, and the White House Office of the U.S. Trade Representative.

This comparison of the two countries' trade policies does not suggest that the U.S. should imitate Japan. If anything, the Japanese are imitating the U.S. as they attempt to grapple with slower rates of growth. As long as the Japanese economy raced along at growth rates up to 15 percent a year, new industries could absorb workers from declining ones. Since the oil crisis, Japan's growth has begun to resemble that of the United States, and the national consensus appears to have shifted from promoting growth to promoting social welfare and "quality of life" values. In practical terms, this will mean greater concern for maintaining existing jobs, more emphasis on general tax policies and on competitive allocation mechanisms for credit, and more direct subsidies to industries in decline as well as those just beginning to grow. Nevertheless, to develop a more effective adjustment policy the United States could adapt some of the tools and attitudes of Japan.

Part of Japan's remarkable success in the past 30 years stems from the way the country deals with questions of international competition and adjustment. The most important underlying element in Japan's approach is that trade policy frequently overlaps domestic industrial policy. The country imports almost all its raw materials and exports 31 percent of its steel output and 50 percent of its auto output. Therefore, any policy designed to affect trade inevitably must have an effect on the domestic structure of the industry involved.

The second area of contrast with the United States is Japan's concentration on exports. Imports generally are restricted in Japan only to provide a period to allow an industry to mature and become competitive on an international scale. When an industry begins to lose its competitive advantage, emphasis is placed on rapid adjustment: shedding plant and equipment in the declining industries and transferring capital and labor to more productive sectors. In the United States, the government has gone to

great pains to prop up the shoe and apparel industries in the face of imports from low-cost developing countries. In Japan, however, a cooperative effort involving labor, management, and government has shifted resources out of those industries and into other growing ones. In fact, firms in Japan are now selling entire textile mills to other East Asian "Japans," thus continuing to stay abreast of production technologies while not attempting to protect domestic production capacity.

It should be pointed out that this process can work well when other industries are growing and can absorb resources, but may not accomplish much if other opportunities do not exist. The Japanese cannot force companies to comply with a general plan to reduce capacity, and sometimes large portions of an industry will refuse to "go along." Efforts to cut back the size of the shipbuilding industry have generated dissatisfaction among both shipbuilders and the labor unions because they feel the government has failed to provide alternative uses for the industry's capital and labor.²²

Adjustment Programs

Unemployment compensation. In addition to a basic system of unemployment benefits, Japan offers a program of extended payments to workers in designated sectors affected by changes in industrial structure. The government encourages firms to retain as many workers as possible and sometimes pays a portion of the wages of the excess workers to assure their employment. Extended benefits for the unemployed include subsidies for retraining and, if necessary, relocation. The Japanese used to require retraining as a precondition to the extra benefits, but the government dropped the requirement when the 1975 recession left too many unemployed workers for the system to absorb. At the time, 2.9 million workers were receiving employment adjustment allowances.²³ To pay for these employment stabilization programs, all employers with more than five workers contribute 0.35 percent of gross wages to a government fund. For the regular program of unemployment compensation, all employees pay one-half of one percent of gross wages, matched by an equal contribution from employers. The government then contributes 25 percent of the program's cost out of general revenues.

Small Business. Like the United States, Japan provides special assistance to small firms, with more extensive efforts aimed at those in economically distressed areas and those in designated industries. Unlike the U.S. situation, Japanese government aid generally emphasizes shifting resources to more modern facilities, to higher technology product lines within the same industry, or even to other industries. Sectors currently in favor include "knowledge-intensive" industries such as computers and aircraft, and those in disfavor include apparel and shipbuilding. Assistance comes in a variety of forms such as tax breaks and special access to credit, described below. One particularly intriguing form of aid is designed to overcome the diseconomies of size felt so keenly by many small business. The government promotes the creation of small business industry associations that specialize in the development of knowledge-intensive and anti-pollution products and technology. The central government matches loans provided by local governments to make up 80 percent of the cost of acquiring laboratories, research facilities, and equipment. Member firms of the associations contribute the other 20 percent, and can deduct the expenditure from their taxable income.²⁴

Tax incentives. Although Japanese corporate income tax rates are similar to those in the United States, Japanese corporations in designated industries can receive special deductions in the form of accelerated depreciation. The rules have changed over the years, but extra depreciation allowances usually depend on growth in export sales. In the face of large trade surpluses in the late 1960s and early 1970s, the government dropped many of these incentives. However, the computer industry is marked for rapid development in the 1980s and companies are eligible for benefits such as depreciation of one-third the cost of new facilities in the first year in addition to normal depreciation. Furthermore, consumers of sophisticated computers also can obtain favored treatment in the form of first-year depreciation amounting to 50 percent of the total acquisition cost of computers.²⁵

Credit allocation. By American standards, few Japanese firms have adequate equity capital, so whoever controls financing can effectively control the direction of investment. For most of the postwar period, the Bank of Japan guided the system by keeping interest rates artificially low, forbidding foreign investment, and preventing the yen from becoming a major trading currency, thus isolating the money supply. Consequently, investors wanted to borrow more money than was available at the low rates in effect. Rather than let market forces direct the allocation of credit, the Bank indicated which industries should receive priority, using its own lending facilities as a means of rewarding or penalizing private banks.

In addition, the Japan Development Bank offers loans to designated industries. The Bank, with lending of \$4.5 billion in 1980, provides another indicator of government approval. The GAO notes in a report that these loans usually are only a small part of a firm's total credit needs, but the presence of the Bank's participation suffices to leverage funds from commercial banks. Interest-free loans are made available to firms that want to scrap obsolete or excess plant and equipment.

Support for research and development. The view that technology holds the key to economic development led the government to offer substantial tax incentives, loans, and direct subsidies to special research and development projects. The largest of those centers is the Very Large Scale Integrated (VLSI) circuit project, set up by the Ministry of International Trade and Industry to develop products to compete with the most advanced IBM Corporation equipment of the mid-1980s. The organization is called the VLSI Technology Research Association, and consists of five Japanese companies with a goal of developing a small chip of silicon containing one million "bits" of information. (In contrast, IBM began production last year of a 64,000 bit chip that is so small that 109 of them are manufactured together on a single 3-1/4 inch wafer.) The research budget for the program will total \$250 million over a four-year period and eventually may surpass \$1 billion. Of the initial quarter billion, MITI provided \$125 million in an interest-free loan. In addition to the MITI project, the NTT has started its own project to develop VLSI circuits. The three research groups (NTT's project teams, MITI's own Electrotechnical Laboratory, and the VLSI Association) cooperate with one another as much as possible, though observers suggest that participating companies are increasingly reluctant to share their discoveries.²⁶

Like the United States, Japan has an anti-trust law, but it contains amendments to allow government-approved groupings of private companies in certain cases. Officials of IBM consider the VLSI project less of a threat to domestic operations than do other computer firms, partly because IBM's budget for research exceeds \$1.4 billion and partly because the firm earns more than half its revenues abroad. Others in the American industry fear that the new international Code of Conduct on Subsidies will not help them compete against subsidies that are given now but will not be felt in the market for several years. The VLSI project ended earlier this year, but MITI continues to offer research grants to groups of companies to direct their investment toward computer hardware of the future, claiming that a government subsidy offers the prestige needed to leverage funds from the private sector.

In sum, Japan's adjustment policies differ radically from American policies. Japan designates and then promotes the development of industries in which Japan can compete, while hastening and softening the decline of industries no longer able to compete on world markets. The Japanese anticipate both the rise and fall of major industries, while the United States reacts to short-term crises without much attention to structural changes in the world economy.

VI. RECOMMENDATIONS FOR AN ANTICIPATORY APPROACH TO IMPORT COMPETITION

In formulating specific policy alternatives, federal officials must begin by recognizing that the government already intervenes in the market to protect the environment and enhance competition. Government intervention per se should not be at issue. The question is how to devise a means for coordinating various government policies that now may work against each other. To obtain the most successful outcome, federal resources should be targeted to selected industries and designed to leverage private funds. The U.S. goal should be to build the economy on industries that can compete in the international marketplace, not to preserve jobs in last century's industries for next century's workers. Congress and the president can act to achieve this goal in several specific ways.

A. Establish an Effective Warning System.

As long as this country places its emphasis on import difficulties faced by individual firms rather than on sectoral problems, we will continue to wait and react only after imports damage domestic industry. Under the present system, reaction usually means propping up inefficient firms and doing little to help them become competitive. The shoe program, with a budget of \$56 million, is an exception. More typical of U.S. import policies is the Commerce Department's \$500 million loan guarantee program for the steel industry, initiated in 1977. Funds obtained under the program cannot be used to adopt innovative technologies, and a report by the congressional Office of Technology Assessment describes the program as "one of tradition-oriented renewal."²⁷ A broader sectoral policy would permit recognition of industrial shifts well before imports become a deluge.

The Trade Act of 1974 established an import monitoring system under joint control of the Departments of Commerce and Labor. The program was supposed to indicate which domestic industries are affected by changes in the level of imports and the extent to which the damage is concentrated in specific regions of the country. The Trade Act was signed into law more than five years ago, but no such monitoring system has become operational. Because the system would emphasize short-term trends, many observers felt it quickly would develop into a trade restricting device, and federal officials never pressed for implementation. An import policy which anticipates rather than reacts would emphasize long-term trends rather than month-to-month changes, and must include an effective "early warning system" for industries that anticipate trouble. A section in Representative Vanik's bill would permit the Department of Commerce to initiate studies of industries with potential import problems and make recommendations for industrywide action. Together, the early warning system and anticipatory analysis could form the cornerstone of a sectoral adjustment policy.

The petrochemical industry offers a good example of a sector that will have major problems several years from now, though with current adjustment policies nothing will be done until imports capture a large share of the market. The U.S. chemical industry has had a very strong period of

international growth in the past few years, based primarily on inexpensive energy and advanced production techniques. Both advantages soon will disappear. Deregulation of natural gas and oil prices in this country eventually will take away the price edge now available to American producers. Oil-exporting countries are building their own processing facilities to reduce their dependence on American-owned plants. These new facilities will benefit from the latest technologies and very inexpensive oil. The problems down the road are clear, but no action can be taken under the present system. An anticipatory policy would allow the industry, its workers, and the government to begin working now on this and similar sectoral problems.

B. Target Import Competition Policies More Realistically.

The United States makes no distinction between industries and the type of support they receive when injured by imports. An anticipatory policy would include at least three distinct responses: to industries (or segments) that cannot become competitive regardless of government support; to industries that can become competitive with assistance, and to industries that should be helped for reasons of national security or national pride, regardless of their ability to recover and become competitive again. At the moment, trade laws treat them all as if they belonged in the last category.

1. Industries with a limited future. The adjustment process will be most painful for communities that depend on industries with little hope for regaining international competitiveness. The solution, however, is not to permanently prop up the companies to save the jobs, but to use assistance to help workers adjust to the new situation by developing effective retraining programs for employees, helping firms close down in an orderly manner, bringing new industries into the same labor market, and promoting the creation of local companies to generate replacement jobs. The emphasis on change is important; otherwise large parts of American industry will languish behind high import barriers and produce unnecessarily expensive goods with obsolete technology.

2. Troubled industries that can recover. Frequently, industry segments rather than entire industries lose their competitive position, while other segments continue to be highly profitable. The Commerce Department has demonstrated that some portions of the shoe industry can not only survive but develop large export markets. For companies in this category, sectoral policy should emphasize management skills, access to capital, research, and investment incentives.

3. Industries needed for national security or pride. Some industries such as steel always will have enough popular support to obtain government aid to continue production. A certain amount of inefficiency is inevitable in these industries, though coordination among labor, management, and government can help to keep it at a minimum.

C. Create More Effective Institutions Capable of Anticipating Import Problems.

1. Tripartite committees. These committees would include representatives of labor, management, and government (with the possible addition of consumer interests), and would deal with the major structural problems of an industrial sector. A partial relaxation of anti-trust laws would be necessary to allow discussion of common problems and possible solutions.

One reason the Japanese have succeeded in reaching a consensus on forward-looking policies for major industries is that they have included labor and management in the decision-making process. Within this larger framework, the government can coordinate its various regulatory and taxing functions to achieve their aims more effectively. However, the process of building a consensus can be misunderstood as a simple formula for success: it rarely comes easily, never works as well as desired, and sometimes falls apart. For example, the Japanese government wanted to reduce the number of firms in the auto industry several years ago, and used credit facilities and administrative guidance to try to convince Japanese automakers to go along. The companies refused and succeeded as a major growth industry anyway.²⁸

Yet the concept of a sectoral policy with broad goals accepted by labor, management, and government has been tried only recently as a peacetime measure in this country. Tripartite steel and automobile committees have been set up to define industry-wide problems and formulate possible solutions. The Economic Revitalization Board created by President Carter in August 1980 could serve as the national counterpart of the individual industry committees. The Board will advise the president on such issues as the trade-offs between economic growth and health and safety regulations, ameliorating the effects of industrial dislocation on workers and communities, and training programs for workers.²⁹ Both the industry committees and the Board will focus on broad sectoral problems and not solely on imports.

2. Interagency coordination. The Trade Act of 1974 set up an Adjustment Assistance Coordinating Committee (AACC), composed of senior officials of the Small Business Administration, the Departments of Commerce and Labor, and the office of the U.S. Trade Representative, to coordinate trade adjustment activities and promote better delivery of services. The committee has met once in 1980, primarily to begin a long-term study of trade adjustment assistance in preparation for congressional reauthorization of the program in 1982. The real work of coordination occurs in a Commerce-Labor Adjustment Action Committee (CLAAC), which has no standing in the Trade Act and thus no official budget or legal life of its own. The CLAAC and its subcommittees meet regularly to discuss means of improving emergency responses to major plant closings and to develop better methods of informing workers and firms of the trade adjustment program. The CLAAC seems to work well, and the Vanik bill on trade adjustment would formalize its existence. In addition, the bill would emphasize the importance of interagency cooperation by changing the committees' mandate from "to promote the efficient and effective delivery" of services to "insuring prompt, efficient, and effective delivery."

Congress always has had difficulty placing primary responsibility for trade adjustment programming in any one agency. The chairmanship of CLAAC rotates every six months between the Labor and Commerce departments, and the chairman of AACC is the U.S. Trade Representative, which is an office in the White House. Requirements for reporting to Congress are placed only on the Trade Representative, who must state only the number of applications for adjustment assistance and the extent to which aid is provided. A sectoral adjustment assistance program as discussed here would require the designation of a permanent policy leader, with implementation shared among the appropriate agencies. If the choice between Commerce and Labor again leads to an impasse, Congress could establish an "Office of Sectoral Adjustment Policy" within the White House or as an independent agency. Congress also could institute regular reporting requirements from the lead agency, including analyses of the effectiveness of the program and discussions of other aspects of adjustment policy.

Compared with European and Japanese economic and political models, the U.S. system is highly pluralistic, diverse, and decentralized. In our system the central government cannot solve adjustment problems on its own. Jamestown, New York, serves as a good example of a town with a deteriorating economic base which made a commitment to working at the local level to reverse its decline. Under the leadership of Mayor (now Representative) Stan Lundine, a Jamestown Area Labor Management Committee composed of representatives from government, labor, and management created on a small scale the type of institution prescribed above for a national program. One of the keys to the group's success was an explicit avoidance of issues that normally would arise in the course of collective bargaining. After months of discussions of topics such as labor relations, productivity, and industrial development, the committee effectively changed local perceptions of the business climate to the point that some firms reversed decisions to close facilities while others outside the area chose to invest there. In addition to the larger committee, several of the area's factories set up in-house committees to improve labor-management relations and productivity at the plant level. Creating a sense of shared purpose and mutual trust has proven a difficult task, but the experiment shows that the effort can pay off. The U.S. must find ways to make sure that business, labor, and government cooperation to solve the problems underlying import competition can be fostered at the local and regional levels as well as in Washington.

D. Create a Range of Tools to Choose From in Responding to Sectoral Problems.

1. Accelerated depreciation. The Japanese rely largely on this tool to promote investment in target industries, and the present mood in American business appears to support it as a major means of increasing investment. Faster depreciation schedules pose some problems, however. The present U.S. system sets different schedules for each industry, while most proposals currently discussed would offer the same schedule to all firms. If applied to existing plant and equipment, identical schedules would result in large windfalls to many companies with no assurance that the additional funds would finance new investments. A less expensive alternative suggested by Representative Vanik (H.R. 7910) would retain industry differentials but offer rapid depreciation to selected industries only.

2. Investment tax credit. A more direct incentive is the investment tax credit, which now is offered to all firms for purchases of new plant and equipment and for rehabilitation of older structures. Under an import adjustment policy which anticipates rather than reacts, the credit could be increased for designated industries and made refundable to benefit firms with low profits.

3. Subsidy for removal of obsolete equipment. The Japanese government offers loans to firms to encourage them to scrap excess or obsolete capacity. Congress could legislate a new subsidy for a portion of the value of the plant and equipment scrapped. This would offer significant benefits to industries such as steel that cannot now finance major new investments.

4. Training programs. Relatively little use is made of training programs under the Trade Act. H.R. 1543 would establish a number of experimental programs to investigate new approaches, including the use of vouchers. Once certified eligible for assistance, a worker could undertake a retraining program with automatic reimbursement from the government for part of the cost. The advantages of this method lie in the reduced bureaucracy needed to determine "appropriate" training for each worker and the increased dependence on the private market to channel workers to jobs where they are needed.

President Carter has proposed a pilot program of "positive assistance" to offer incentives for retraining and relocating workers who must make the transition from declining to growing industrial sectors. A dozen such demonstration projects will be set up around the country in the next two years.³⁰

5. Research and development. Large firms in a sector may not wish to participate in research centers, but the Footwear Center in Philadelphia demonstrates that small businesses feel an acute need for assistance on a wide range of managerial and technological issues. These centers could offer substantial benefits for small business. One of the last sections of H.R. 1543 would permit the Commerce Department to offer seed money to industry associations to develop new technologies and applications for use by an entire industry.

6. Credit. Since the end of the Second World War, several government programs have offered loans, loan guarantees, and interest subsidies to private companies. Loan guarantees have proven a particularly useful tool because of the limited outlays by the federal government required to encourage loans to specific groups of borrowers. The Office of Management and Budget projects a level of \$339 billion in loan guarantees outstanding in fiscal 1981, of which 32 percent will go to private business. Under a more anticipatory import adjustment policy, the government could target these tools to help companies in selected industries to either modernize or shift to other industries. An option worthy of more study is the proposal to establish a public agency similar to the Reconstruction Finance Corporation of the Depression, to offer low-cost, long-term financing to companies and communities to help them weather shifts in the nation's industrial structure.³¹

E. Convert Import Adjustment Programs to Sectoral Adjustment Policies.

One of the more frustrating problems facing officials in the trade adjustment program concerns restrictions that leave suppliers completely out of the system. In another case, the Commerce and Labor departments recently established an experimental program to coordinate local government, labor, and management efforts to speed the assistance process in four cities where steel companies have shut down major plants. The unique aspect of the program is that these cities do not have substantial numbers of workers eligible for trade adjustment assistance.³² If the U.S. had a comprehensive sectoral adjustment policy instead of an import-reaction policy, the government would not have to set up dual delivery systems for aid to distressed areas.

Congress should consider not reauthorizing the current trade adjustment program when it expires, replacing it instead with a sectoral adjustment program to deal directly with the problems of changing industrial structure.

Conclusion

The United States treats import competition as an occasional irritant to domestic industrial growth, and almost always responds with short-term solutions. As a result, we have made little progress in adapting to changes in international competition, despite the long-term effects the changes will have on the basic structure of America's manufacturing strength. The Northeast-Midwest region is especially vulnerable because the bulk of its economic base lies in the production of manufactured goods that are subject to increasing competition from developing countries and from different structures in other developed countries.

In no other country does trade policy exist in a vacuum, separate from domestic industrial strategies. As an alternative approach, the United States should establish a comprehensive set of policies for major sectors, in which trade will play an important, though not dominant, role. Different tools should be employed, depending on whether national security or pride require survival at any cost, or whether an industry or segment can survive with help or cannot survive even with aid. Among the tools proposed in this paper are tax incentives, financial aid, technical assistance, and support for research. Only by creating an atmosphere of cooperation rather than confrontation can these tools work to revitalize American industry.

NOTES

1. "GM Battle on Imports," Washington Post, July 1, 1980, p. D8.
2. Members of the European Communities are Belgium, Denmark, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, and the United Kingdom.
3. The White House, Office of the Press Secretary, "Fact Sheet," July 8, 1980, and U.S. International Trade Commission, "Certain Motor Vehicles and Certain Chassis and Bodies Therefor," Investigation Number TA-201-44, Prehearing Report to the Commission and Parties (Public Version), September 10, 1980, p. A-3.
4. Wall Street Journal, "Japan Asks Its Car Firms to Limit Exports to U.S. and Start American Production," February 13, 1980, p. 2, "Japan Asks Car Makers to Triple 1980 Imports of U.S.-Made Parts," May 7, 1980, p. 3, "Japan Asking Firms to Restrain Exports of Vehicles to U.S.," July 2, 1980, p. 18.
5. Harald B. Malmgren, Statement before the Subcommittees on International Finance and on Economic Stabilization, Senate Committee on Banking, Housing, and Urban Affairs, June 18, 1980, p. 4.
6. Mike Tharp, "Japan Is Pressuring Its Phone Company to Buy More Gear from Foreign Sources," Wall Street Journal, February 26, 1979, p. 6.
7. Richard Lawrence, "U.S. Threatens to Deny Japan Trade Concessions," Journal of Commerce, March 30, 1979, pp. 1, 3.
8. U.S. General Accounting Office, United States-Japan Trade: Issues and Problems, September 21, 1979 (ID-79-53), pp. 204-205. Urban C. Lehner, "Japan Still Resists Allowing Americans to Submit Bids for Telephone Contracts," Wall Street Journal, August 8, 1980, p. 17.
9. C. Michael Aho and James A. Orr, International Trade's Impact on U.S. Workers: Demographic and Occupational Characteristics of Workers in Trade-Sensitive Industries, U.S. Department of Labor, March 1, 1978 (unpublished).
10. U.S. Congress, Office of Technology Assessment, Technology and Steel Industry Competitiveness, released July 1, 1980, p. 155.
11. The Economist, "U.S. Steel Wields Its Cosh," March 29, 1980, pp. 105-106, "Please, Not a Trade War," May 10, 1980, pp. 13-14.
12. The White House, Office of the United States Trade Representative, Twenty-Fourth Annual Report of the President of the United States on the Trade Agreements Program, 1979, pp. 112-114.
13. U.S. Department of Commerce, Footwear Industry Revitalization Program, 1980, May 1980, p. 22.

14. U.S. General Accounting Office, Slow Productivity Growth in the U.S. Footwear Industry -- Can The Federal Government Help?, February 25, 1980 (FGMSD-80-3), p. 17.
15. Comments on Department of Commerce Notice Published in the Federal Register, Tuesday, April 29, 1980, American Footwear Industries Association, May 30, 1980, p. 3.
16. U.S. General Accounting Office, Worker Adjustment Assistance Under The Trade Act of 1974 to New England Workers Has Been Primarily Income Maintenance, October 31, 1978 (HRD-78-153).
17. GAO, New England, pp. 2, 3, and 20.
18. U.S. General Accounting Office, Restricting Trade Act Benefits to Import-Affected Workers Who Cannot Find a Job Can Save Millions, January 15, 1980 (HRD-80-11), p. 9.
19. Peter Behr, "Burden of Auto-Industry Layoffs Spread Unequally," Washington Post, July 6, 1980, p. F1.
20. U.S. General Accounting Office, More Can Be Done to Identify and Help Communities Adjust to Economic Problems Caused by Increased Imports, May 15, 1979 (CED-79-42).
21. GAO, Communities, p. 68.
22. U.S. General Accounting Office, Considerations for Adjustment Assistance Under the 1974 Trade Act: A Summary of Techniques Used in Other Countries, January 18, 1979 (ID-78-43), Volume II, p. 95.
23. GAO, Adjustment Assistance in Other Countries, Volume II, p. 81.
24. GAO, Adjustment Assistance in Other Countries, Volume II, p. 83.
25. GAO, U.S.-Japan Trade, pp. 30-31.
26. The Economist, "Worried Nanny," July 5, 1980, p. 80.
27. Office of Technology Assessment, Steel Competitiveness, pp. 47-48.
28. Shoichi Royama, "Japanese Financial System in Transition," Speech before the National Economists Club of Washington, D.C., May 20, 1980.
29. The White House, Office of the Press Secretary, "Fact Sheet: Economic Program for the Eighties," August 28, 1980, p. 4.
30. The White House, "Fact Sheet," August 28, 1980, p. 4.
31. Felix G. Rohatyn, Address before the Federal City Council, Washington, D.C., April 29, 1980.
32. U.S. Department of Labor, "4 Steel Shut-Down Cities Get Special Aides to Aid Workers," May 9, 1980 (USDL--80-295).

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Appendix I

BENEFITS OF NONTARIFF CODES
NEGOTIATED IN THE TOKYO ROUND

Over the long term, the most valuable benefits of the MTN will result from implementation of the codes, especially the Government Procurement Code, the Subsidies Code, the Standards Code, the Customs Valuation Code, and the Licensing Code.

(A) The Government Procurement Code should expand opportunities for U.S. producers to compete for sales to foreign governments by discouraging discrimination against U.S. suppliers in government purchasing. This should prove especially beneficial to exporters of computers, instruments, transportation equipment, and machinery who, for the most part, have been unable to compete on an equal basis with domestic bidders for many foreign government contracts. It is estimated that this Code will open more than \$20 billion in foreign government purchases to U.S. bidders.

(B) The Subsidies Code adds new discipline to the use of subsidies in international trade. It includes a total ban on the use of export subsidies for industrial products, and for the first time, international recognition that countries can impose countervailing duties on subsidized imports when they cause injury. Improved and accelerated domestic procedures will allow complainants more effective relief against unfair trade practices.

(C) The Standards Code will provide a valuable mechanism for the expansion of overseas sales of high technology goods. The Code is intended to discourage discriminatory manipulations of product standards, product testing, and product certification systems and will encourage the use of open procedures in the adoption of standards. Such industries as electronics, machinery, transportation equipment, and instruments have found product standards a significant and growing barrier to international trade.

(D) The Customs Valuation Code probably will do more to ease the day-to-day nuisances and irritations found by exporters than any other Tokyo Round achievement. The Code establishes international uniformity in customs valuation practices and decreases the uncertainty of exporting, through rules which are fair, simple, predictable, transparent, and neutral. It also eliminates protective features of current foreign customs valuation systems, including arbitrariness in valuation methods, uplifts, and fictitious values. The Code is business-oriented, using the transaction value of imported goods as the basis for valuation.

(E) The Licensing Code will promote nondiscriminatory administration and simplified procedures in foreign countries maintaining licensing requirements.

(F) The Aircraft Code will eliminate duties in the world's major aircraft markets and place limits on foreign governmental interventions in this sector.

APPENDIX II
TRADE ADJUSTMENT ASSISTANCE
1978-1979*

	Trade Readjustment Allowance		Relocation Allowance		Job Search Allowance		Other in Training Cost	
	Certified Workers	Amount (in \$1,000s)	Recipients	Amount (in \$1,000s)	Recipients	Amount (in \$1,000s)	Recipients	Amount (in \$1,000s)
Connecticut								
1978	1,396	7,837	11	8	4	1.0	-	-
1979	2,807	6,752	17	19	14	3.4	-	-
Delaware								
1978	1,512	6,123	-	-	-	-	-	-
1979	1,289	1,008	-	-	-	-	-	-
Illinois								
1978	1,330	8,229	1	2	-	-	-	-
1979	5,157	13,560	5	4	7	1.7	-	-
Indiana								
1978	2,348	10,671	2	3	4	.9	405	99
1979	8,068	6,997	6	57	72	3.5	254	937
Iowa								
1978	391	816	8	8	3	.6	-	-
1979	1,199	1,201	8	5	5	.5	-	-
Maine								
1978	1,482	1,765	8	7	10	1.6	-	-
1979	2,715	2,053	2	2	1	.0	-	-
Maryland								
1978	1,001	7,362	-	-	-	-	1	-
1979	1,871	3,330	-	-	-	-	-	-
Massachusetts								
1978	N/A	9,231	57	39	179	15.0	49	2
1979	23,636	4,576	24	25	50	5.9	7	-
Michigan								
1978	N/A	9,231	57	39	179	15.0	49	2
1979	625	1,560	3	2	1	.3	31	16
Minnesota								
1978	2,932	2,472	2	2	-	-	26	33
1979	625	1,560	3	2	.3	31	16	
New Hampshire								
1978	2,810	682	2	2	-	-	47	19
1979	1,188	1,928	10	7	32	.8	273	77

APPENDIX II (continued)
TRADE ADJUSTMENT ASSISTANCE
1978-1979*

	Trade Readjustment Allowance		Relocation Allowance		Job Search Allowance		Other in Training Cost		36
	Certified Workers	Amount (in \$1,000s)	Recipients	Amount (in \$1,000s)	Recipients	Amount (in \$1,000s)	Recipients	Amount (in \$1,000s)	
New Jersey									
1978	11,243	7,569	2	3	2	.0	-	-	
1979	1,245	10,453	2	2	2	.1	-	-	
New York									
1978	17,179	27,257	85	65	144	36.1	-	-	
1979	10,252	27,962	43	51	53	10.8	-	-	
Ohio									
1978	13,567	28,177	164	213	283	42.4	-	-	
1979	15,293	31,116	92	527	152	183.1	-	-	
Pennsylvania									
1978	15,257	39,700	65	57	71	11.3	1,059	438	
1979	21,589	32,971	159	146	141	21.0	1,889	890	
Rhode Island									
1978	1,525	1,197	1	2	-	-	18	6	
1979	52	1,134	-	-	-	-	7	4	
Vermont									
1978	-	22	-	-	-	-	-	-	
1979	36	95	-	-	-	-	-	-	
Wisconsin									
1978	477	9,870	18	15	10	2.9	339	182	
1979	4,680	7,198	6	5	1	.0	497	265	
Region Total									
1978	76,975	178,029	435	432	714	11.2	2,093	862	
1979	109,040	167,040	384	856	534	232.0	4,051	2,209	
U.S. Total									
1978	115,088	258,322	631	603	1,072	164.2	4,351	2,464	
1979	162,158	258,501	852	1,177	1,184	308.6	5,767	4,007	
Region as Percent of U.S.									
1978	66.8	68.9	68.9	45.0	66.6	68.3	48.0	35.0	
1979	67.2	64.6	71.6	72.7	45.1	75.2	70.2	55.0	

* Data cover fiscal years except for "Certified Workers," which covers calendar years.
Source: U.S. Department of Labor, Bureau of Economic Analysis, Office of Trade Adjustment Assistance.